

SOME FEATURES
IN
RECENT IRISH FINANCE

BY
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SOME FEATURES IN RECENT IRISH FINANCE.



MY first duty in speaking as the President of the Statistical and Social Inquiry Society of Ireland—now entering on its fifty-ninth session—is to express to its members my sense of the great honour they have done me in electing me to this high position. It is one which has been filled by many men of great eminence and ability, who have each, in their time, done good service to their country, and the responsibility I feel in undertaking its duties is not a little increased, when I have to discharge them as successor to the Registrar-General, Mr. Matheson, who has so admirably presided over the Society during the past year.

I propose to discuss this evening some aspects of recent Irish Finance which seem to me to be of great practical importance, and to require earnest consideration on the part, not only of those who interest themselves in economic problems or take part in the administration of Ireland, but also of every person, who as public man or private citizen, dwells in or has to do with this country.

I do not intend to discuss whether Ireland is now entitled, having regard to her relative resources, to be taxed on a lower scale than Great Britain ; or to consider whether the ability of Ireland, as compared with Great Britain, to bear the existing pressure of Imperial Taxation, is in any way modified since the Financial Relations Report. I propose rather to consider to-night, some features of the latter-day methods of Imperial Finance, and to suggest the desirability from the Irish point of view of testing their soundness as applied in practice to the Three Kingdoms.

These Three Kingdoms are bound together by the Act of Union. Some of the most important clauses of this Act of Union deal with Finance. The first point which must be considered in discussing any system of Public Revenue and Expenditure, is to see what is the constitutional position of the Three Kingdoms under the Act of Union and the Act of 1816, which consolidated the Exchequers of Great Britain and Ireland.*

* 56 Geo. III., c. 98.

The Constitution as settled by the Act of Union contemplated the imposition of equal taxes on England, Scotland and Ireland (subject to such exemptions and abatements as Scotland and Ireland should from time to time appear entitled to), and the expenditure of these taxes under the control of the Imperial Parliament indiscriminately, according to the requirements of each of the Three Kingdoms.

Their Taxation was to be equal in burden and discriminated, their Expenditure was to be common and not discriminated.

"The clear intention of the framers of the Act of Union, was that so far as related to taxation or the raising of revenue, Ireland should (whether contributing as she did till 1817, according to a certain ratio, or whether as subsequently by way of indiscriminate taxation subject to exemptions) have a distinct position and separate consideration. But it was their equally clear intention that all expenditure—including no less that upon civil government in Ireland than that upon the army and navy—should be in Common or Imperial. It was never intended that the ratio of contribution or the extent of the exemptions and abatements (as the case might be) should be affected by consideration of the relative cost of administration of the Three Kingdoms. While legislative and fiscal union of the Kingdoms remains, this way of treating the matter must hold good."*

This quotation from a former Chancellor of the Exchequer, Mr. Childers, undoubtedly represents with perfect accuracy the Legal and Constitutional Financial Position of the Three Kingdoms under the Act of Union, but it will be found that within the last twenty years this system has been inverted and altered greatly to the detriment of Ireland. The theory of our Imperial Finance since the Exchequers were amalgamated down to the year 1888 was simple. Each country was to contribute by "Equal taxes" to the Common Exchequer. "Equal taxes" were to be those which would press upon each country, fairly in proportion to its relative ability. From the Common Exchequer, fed by these equal taxes, were to be paid out without consideration of anything but necessity and without differentiation on the ground of the locality of the expenditure or the relative contributions to the common chest of England or Scotland or Ireland, such monies as were required for the public services, Civil, Naval and Military. All expenditure was to be Common or Imperial. To any person who reads the Union debates, or studies the Union statutes, it is perfectly clear that the framers of the Act of Union never contemplated that expenditure of revenue, in any one of the Three Kingdoms, was to be measured by the proportion of the contribution of such

* Mr. Childers, *Financial Relations Report*, C. 8262, 1896, p. 191.

Kingdom to the Common Exchequer, or that any such expenditure should be considered in a "set off" to any disproportionate burden which the taxes imposed by Parliament might, from time to time, cast upon either Scotland or Ireland as contrasted with England.

The grasping of this financial aspect of the Constitution of the Three Kingdoms under the Act of Union is of primary importance. It requires to be recalled and insisted on in the interests of Ireland, for since 1888, a new theory of Inter-insular Finance has crept in, and been put in operation with most serious results to Ireland and probably to Scotland too, a new system which is entirely contrary to constitutional right under the Union, and which, not only in its practical operation is effectively used as a basis for cutting grants for Irish needs, but is also employed through a new method of Treasury book-keeping for advertising her in blue books and finance accounts and almanacs and returns, as a bedraggled entity, contributing year by year less and less to the Empire, though, in fact, she is taxed, year by year, higher and higher, and year by year her falling population pays more and more into the Exchequer.*

Before I pass on to the consideration of this newer finance, I think it desirable to call attention to the fact, that in the Act of 1816 Consolidating the Exchequers, (56 G. III., c. 98), provisions were made for the continued representation of Ireland in the Exchequer, and power was given to His Majesty, from time to time, by letters patent under the great Seal of Ireland, to appoint a Vice-Treasurer of Ireland. The Vice-Treasurer could sit in Parliament, and appointment to the office did not vacate a seat in the House of Commons. The clauses of the Statute which dealt with the appointment and its duties were repealed by the Statute Law Revision Act of 1872, I have not been able to discover upon what grounds—possibly the reason was that the revisers thought the office was obsolete. But whatever may have been the reason for the excision from the Statute Book of all about the Vice-Treasurer of Ireland under the Act of 1816, experience, I think, proves that it would be well that the office should be revived, and that there should be a minister specially charged with the consideration and control of Irish Finances, acting under the Chancellor of the Exchequer.

If the office is revived, as it ought to be, the occupant of it should be a member, answerable to an Irish

Abolished by Statute Law Revision Act, 1872.

Desirability of reviving the office.

* In 1890 the population of Ireland was 4,704,750. The "True Revenue" was estimated at £7,734,678 and the taxation per head was £1 12s. 6d. In 1905 the population was estimated as 4,388,107. The "True Revenue" was estimated at £9,753,500 and the taxation per head was £2 4s. 4d. *Imperial Revenue (Collection and Expenditure) Great Britain and Ireland.* C. 1906. 256.

constituency, and in touch with Irish opinion, and understanding Irish facts and real wants, which, as we all know in Ireland, are very often very different from the loudest proclaimed demands upon the Exchequer. I believe that the restoration of this office would facilitate business, tend to remove many misunderstandings, prevent many mistakes, and be of great advantage, not only to Ireland, but to Great Britain.

I now ask you to consider some of the developments of recent Inter-insular Finance.

Equivalent Grants in Aid.

Equivalent Grants.

Introduction of the new system in 1888.

The Exchequer Contribution to Ireland.

The system of assisting the ratepayers by means of Grants voted by Parliament in Aid, was in operation in Ireland as well as in England and Scotland, from the date of the Union. In the year 1888 the English Local Government Act was passed, and the former system of Grants in Aid was abolished in England. In Scotland the Local Government Act was passed in 1889. The Local Taxation Licences were then assigned to the local authorities in England and Scotland in lieu of the old parliamentary grants, but no change was made in Ireland until ten years later, when the Irish Local Government Act of 1898 was passed. From 1888 to 1898 grants in aid of the Maintenance of Pauper Lunatics, Poor Law Medical Officers, and other items of local administration in Ireland continued to be voted by Parliament, and the whole proceeds of Excise Licences in Ireland were paid into the Exchequer. England and Scotland gained considerably by the diversion from the Exchequer to local authorities of the Excise Licences, and accordingly an item of £40,000 per annum, entitled "The Exchequer Contribution to Ireland," was at first voted, and afterwards in 1891 charged upon the Consolidated Fund, as the assumed amount Ireland would have gained had she received the same benefit as Scotland and England did from the licences being handed over to the local authorities. The £40,000 a year was retained by the Treasury until it constituted a guarantee Fund under the Land Act of 1891 of £200,000. Finally, in 1898, the Irish Local Government Act transferred the Excise Licence duties in Ireland to local authorities as had been done in England and Scotland ten years previously.*

The consideration of the basis upon which these Grants in Aid have been allocated among the Three Kingdoms, since the year 1888 has become one of very great practical importance.

* Report on Local Taxation, 1902, p. 9. Financial Relations Commission Report, Vol. II., p. 138. See *The Expenditure Account* by A. W. Samuels, *Statistical Soc. Journal*, 1897.

The feature of the new system inaugurated by Mr. Goschen in 1888 was that certain contributions were assumed to be made by each of the Three Kingdoms for General "Imperial Purposes," that England contributed 80 per cent, Scotland 11 per cent. and Ireland 9 per cent. to these Common Purposes, and that when Grants in Aid were made from the Exchequer for local purposes, England should get 80 per cent., Scotland 11 per cent., and Ireland 9 per cent of the total for the United Kingdom, and that comparing Ireland and Scotland with England, Ireland should get nine-eighths, and Scotland eleven-eighths of what went to England.

The legislation sanctioning this proportionate allocation between the Three Kingdoms, England, Scotland and Ireland, began with the English Local Government Act of 1888 (51 and 52 Vic., c. 41, sec. 21), which provided that after the 31st March, 1889, England should receive for Local Purposes four-fifths of one-half of the proceeds of the "Probate Duties."

In the same year was passed The Probate Duties (Scotland and Ireland) Act, which enacted that the Commissioners of Inland Revenue should pay in every Financial Year to the Local Taxation (Scotland) Account, such sum as should be ascertained by the Treasury regulations to be eleven hundredth parts of the Probate Duty grant, and (b) to the Local Taxation (Ireland) Account, such sum as might be ascertained to be nine hundredth parts of the Probate Duty grant.

The Local Government (Scotland) Act, 1889 (52 and 53 Vic., c. 50), provided for the allocation of the Scottish 11 per cent. of the Probate Duties grant.

In Sir William Harcourt's Finance Act of 1894, imposing the new Death Duties, it was provided that in substitution for the former grants out of the Probate Duties, there should be paid out of the proceeds of the estate duty derived from personal property one and a-half per cent. of the net value of the property on which estate duty is leviable, and which would have been formerly chargeable with Probate Duty.

Similarly in 1890 when the Beer and Spirit surtaxes were assigned, under Mr. Goschen, as Chancellor of the Exchequer, (53 and 54 Vic., c. 60) to local authorities, Ireland received 9 per cent., Scotland 11 per cent. and England 80 per cent. of the proceeds, each as her "share."

By the English Agricultural Rates Act of 1896 (59 and 60 Vic., c. 16), when Sir Michael Hicks Beach was Chancellor of the Exchequer, agricultural land in England was exempted from half of the rates mentioned in the Act, and the deficiency arising from the exemptions was made good by payment to the English Local Taxation Account out of the proceeds of the estate duty derived in England from personal property.

The 80 per cent., 11 per cent., and 9 per cent. contribution.

Begins with the English Local Government Act, 1888.

Allocation of the Probate Duties.

Allocation of Spirit and Beer Duties, 1890.

English Agricultural Rates Act, 1896.

Scotch Agricultural Rates Act, 1896.

"Equivalent" Grant to Ireland.

Irish Local Government Act, 1898.

Is there any true basis for the proportion 80, 11, and 9 per cent.?

The basis is arbitrary.

In the same year, 1896, an Act was passed (59 and 60 Vic., 37), providing that out of the estate duty raised in Scotland from personal property, eleven-eighths of the amount payable under the English Agricultural Rates Act, 1896, should be paid to the Local taxation (Scotland) Account, and another Act of the same session (59 and 60 Vic., c. 41), directed that the Commissioners of Inland Revenue should pay to the Local Taxation (Ireland) Account out of the estate duty levied in Ireland on personal property nine-eighths of the sum payable under the English Agricultural Land Rating Act of 1896.

This Act was only temporary, and it was repealed by the Irish Local Government Act of 1898, which provided that there should be paid out of the Consolidated Fund to the Local Taxation (Ireland) Account, the sum known as the Agricultural Grant, amounting to £727,655 per annum. This Agricultural Grant is not based on any proportion of the English grant but was equivalent to one-half of the rates on agricultural land in Ireland. Ireland gained considerably by this grant, and it is not charged on any assigned revenue but is paid directly out of the Consolidated Fund.*

The Scottish and English Agricultural Rates Acts which were originally passed for five years have been renewed from time to time, and they are now extended until 31st March, 1910, when we may be pretty certain they will be made perpetual.

The scheme of all this legislation for Grants in Aid was to distribute the grants in the proportions of 80 per cent. to England, 11 per cent. to Scotland, and 9 per cent. to Ireland.

As these proportions have to a great extent become stereotyped in the allocation of grants between the three Kingdoms for educational and other local purposes, it is of no little importance to endeavour to ascertain whether there is any solid foundation for these proportions, and why it is that when the Imperial Treasury makes a distribution for the local needs of the United Kingdom, England gets 80 per cent., Scotland gets 11 per cent., and Ireland 9 per cent., instead of such sums whether greater or less than these proportions as may be required for the special purposes needing subvention in each of the Three Kingdoms at any particular time.

An examination of the circumstances under which these proportions came to be adopted, will, I think, lead to the conclusion that the system of division has been absolutely arbitrary, that there is no sound reason for fixing the proportions in the way they have been fixed, that Ireland certainly, and Scotland probably, has been assigned a smaller proportion than they

* See Report of Royal Commission on Local Taxation, 1902, p. 10.

ought to have received, and that the system of proportionate grants is economically unsound, tends to extravagance, and makes for the detriment of Ireland.

As the statement is frequently made that the Irish rate-payer is not so heavily burdened as the English ratepayer, I think it desirable before discussing the question of the claims of Ireland for a reconsideration of the system of Grants in Aid which has hitherto prevailed, to quote the very high authority of Lord Balfour of Burleigh and Lord Blair Balfour, concurred in by the great Treasury authorities, Sir E. W. Hamilton and Sir G. H. Murray, who after inquiring into the whole system of local taxation in the Three Kingdoms, reported in 1902, as follows :*—

“ We conclude that in spite of the exceptional assistance rendered by Parliamentary votes to the two great National services of police and education, and in spite of the liberality of the financial provisions of the Local Government Act, the question of local taxation in Ireland is not yet on a satisfactory footing. Though comparisions are very difficult, and will always remain difficult, so long as the law of valuation and the circumstances under which valuation has to be carried out remain different, it is probable that the Irish Ratepayer—not mainly through his own fault—is still as heavily burdened as the English or Scottish ratepayer, and if further assistance is to be given in Great Britain—as we unanimously think it should be—we do not think it possible to resist the claim of Ireland to a similar simultaneous increase.”

Since this report was made the great Educational Grant under the Education Act of 1902, was given to England, and £1,418,277, was added in 1903 to the estimates for half a year's grant in relief † of the English ratepayer for education purposes. This grant being a capitation grant has rapidly increased so that in the present year a sum of £2,474,000 has been placed upon the English Education estimates under the Act of 1902, an increase of over £1,056,000 in three years. In the meantime the so-called “equivalent”—The Irish Development Grant—is stereotyped at £185,000, and hardly any portion of it has been devoted to relief of ratepayers. It has been captured almost altogether for financing the losses in flotation of Land Stock. The local taxation balance has been tilted in the last few years entirely in favour of England. In 1905 the education grant if taken on the basis of the population would have amounted for Ireland to 6s. 5d. per head, for England to 7s. 4d. per head, and for Scotland to 7s. 7d. per head. In the Education Bill of 1906

The Irish ratepayer contributes as much to rates as the ratepayer in Great Britain.

* Report on Local Taxation, 1902 (Ireland), p. 25.

† Civil Estimates, 1903-4, p. 360.

provision was made to add another million to the English Grant, so that if it had passed into law England would be now getting 8s. 3½d. per head against Scotland's 7s. 7d. and Ireland's 6s. 5d.

The new basis of contribution was inaugurated by Mr. Goschen as Chancellor of the Exchequer, in 1888, when he introduced the system of proportionate distribution of grants in aid out of the Probate duties. He was asked whether the distribution was made in proportion to the amount of Probate duties contributed by each of the three kingdoms. He replied: "No—that it depended on the amount of the contribution by each country to the Revenue for common purposes." Mr. Caldwell,* member for St. Rollox division of Glasgow, then pointed out, that under the new system the party that required the largest amount of the grant was necessarily the poorest party, but England was to get 80 per cent., Scotland, 11 per cent., and Ireland only 9 per cent. That Ireland was poorer than Scotland, and yet the larger amount of the grant was to go to a richer country, and the smaller to the poorer country †.

This primary objection made in 1888 has never been met, and it is, on the face of it, unanswerable. There was, indeed, but little discussion in 1888 upon the principle of the distribution. Members were evidently glad to get any money they could, and not to be too curious, and it was only as time went on, and grant after grant in aid was made on the same basis, that the unsoundness and injustice of this method of distribution began to evoke occasional protests.

The methods of calculation and segregation. The basis of the calculation is as follows:—The Treasury divide public expenditure in what are termed, The Revenue and Expenditure Returns into four classes (a) "Imperial" Services, (b) "English" Services, (c) "Scotch" Services, and (d) "Irish" Services, and having treated the three latter services as local services and charged the expenditure on them against each of the three countries they estimate the balance left in each instance as the contribution of England, Scotland, or Ireland to the "Imperial Expenditure."

Unconstitutional. Now, this fourfold division is absolutely arbitrary. It has no sanction whatever by any Act of Parliament. It is directly opposed to the system of Finance under the Act of Union and the Act for Consolidating the Exchequers. The details of the division were never discussed in Parliament, and never disclosed when the proportions of 80, 11, and 9 per cent. were fixed, and the method by which England is let off, and Scotland and Ireland let in in these so-called

* Now Deputy Chairman of the House of Commons.

† Parl. Deb., Vol. 332, p. 790. See further statements by Mr. Goschen as to the matter of calculation in Appendix I. *ad fin.*

Financial Returns, Revenue and Expenditure, of the Three Kingdoms, is audacious. Mr. Chisholm, giving evidence on behalf of the Treasury, before the Select Committee on the Taxation of Ireland in 1864, stated "The Civil Service grants comprehend several large heads of service . . . it is very difficult to say what portion of the Expenditure under these heads is for Imperial Purposes, and what for Local Purposes . . . There is a great difficulty in distinguishing in fact what is local and what is considered Imperial Expenditure—in many cases it is altogether a matter of opinion."* But the Treasury, in 1888, made its tetrachotomy of expenditure and, Sir E. Hamilton in giving evidence on behalf of the Treasury before the Royal Commission on the Financial Relations in 1894, states:—"It is difficult to draw the line between Imperial and Local Expenditure I admit, and I do not pretend to be able to supply a definition in which there are no flaws, but perhaps what best supplies such a definition is to take each head of expenditure and consider whether it would be incurred were there no such locality in question." This assumes a United Kingdom of Great Britain and No-Ireland—and as to expenditure it assumes that it is to be segregated on the principle "*Hibernica est quia non est Hibernia.*"

The larger the "Imperial" column can be made, the better for England, and the worse for Scotland and Ireland. An examination of these returns shows that apart from the Crown Civil List and the Naval and Military expenditure, nearly the whole of the so-called "Imperial" expenditure is Civil Service outlay actually taking place in England, but which by being classified as "Imperial" is charged against Scotland and Ireland too, while almost all the expenditure in Ireland and Scotland, or in England for Scotch or Irish purposes, is charged as "Irish" or "Scotch." I examined some of the details of these Treasury Returns in a paper read before this Society in 1897, and pointed out that at least £14,000,000 charged as "Imperial" expenditure in the returns for 1893-1894, should have been charged against England for "English Services," and that the whole method of computation was differential empirical, unconstitutional, and unfair.†

It is instructive to test upon Treasury admissions, a few important items which are charged against Ireland in the Expenditure account tables, and which have been put to practical use in a very serious way in diminishing the percentage she has for eighteen years back, been receiving by way of Grants in Aid in relief of local taxation.

The largest item is the Constabulary vote of about

* S.C. Report on Taxation of Ireland, 1864, p. 283—Qs. 6648-6650.

† *The Expenditure Account* Dublin : Sealy, Bryers and Walker, 1897.
Journal of the Statistical Society of Ireland, 1897.

The Constabulary charge should be in the "Imperial" column. The result would make an enormous practical difference to Ireland as long as the system of proportionate Contributions in Aid prevails (as it does prevail) based upon the segregation of expenditure into "Imperial," "English," "Scotch," and "Irish" services. The insertion of this Constabulary charge in the "Irish" instead of the "Imperial" column is entirely unfair, and it is almost impossible to see how the Treasury with the Report, dated 1st June, 1865 in their hands of the *Select Committee on the Taxation of Ireland* which was presided over by Sir Stafford Northcote, and of which Mr. Lowe, Sir Robert Peel, and Sir Frederick Heygate were members, could have ever had any justification for charging Ireland alone, as they have done, with this Constabulary vote. The whole subject of the incidence of this charge is dealt with fully in that Report.

The committee set out for the years 1801, 1817, 1845, 1863, the items of the Grants in Aid of Local Taxation in the Three Kingdoms, and they report as follows:—

"It will be observed that the cost of the Irish Constabulary is included among the items of Imperial expenditure in aid of Local Taxation. It must, of course, be borne in mind that the services rendered by the Constabulary are not only of a local character, but that the force is employed for the collection of a considerable portion of Imperial Revenue, and that it may also be to some extent, regarded as a military body. Your committee will not attempt to distinguish between the amount expended on the Constabulary as an Imperial force, and the amount granted in aid of Local Taxation. . . . Since 1845 the share which Great Britain has had in the remission of Imperial taxation has been proportionally much larger than that which Ireland has had, and the additions made to Imperial taxation of Ireland have been proportionally heavier than those made to the taxation of Great Britain, while at the same time, it can hardly be doubted that Great Britain has derived a larger measure of advantage than Ireland from the repeal of the Corn laws, as a compensation for which the boon was originally given by Sir Robert Peel."

This was a Report of unquestionable authority. The tables giving details of the Local Taxation of Great Britain and Ireland, and the grants in aid of such Local Taxation were handed in to the committee by the very eminent Treasury Official, Mr. Chisholm, on behalf of the Treasury.* This Treasury paper deals specially with the Constabulary.

* See Appendix 7 and 8 to the Report of Select Committee on Taxation of Ireland, 1864, pp. 116-121.

Sir Robert
Peel makes it
an Imperial
force.

It traces the history of the force. It was established first in 1804 as an organized force by the Statute, 54 G. III., c. 131, in districts proclaimed as disturbed. The expenses were then charged on these districts. In 1822, a new and more effective police was established. Advances from the Consolidated Fund were authorized for its maintenance, but one-half of the expenses had to be provided for by the Irish Counties. The superannuation allowances were charged wholly to the counties. Subsequent legislation, in 1839, increased the police by a further "Reserve Force," and the expenses were borne partly by the Consolidated Fund, and partly by the Counties. The Treasury paper then proceeds: "In 1846, when "proposing the abolition of the Corn Laws, and avowedly "as a relief to the burdens on land on the ground that Ireland "more especially might suffer from the withdrawal of pro- "tection, Sir. Robert Peel proposed also that the entire expense "of the Irish Constabulary should be paid out of the public "Treasury; and that to prevent the possibility of all inter- "ference by local bodies, the Constabulary force should be "placed completely under the control of the executive Govern- "ment. This arrangement had been strongly recommended "by the Earl of Devon's Commission in the previous year. "Accordingly under the Act 9 and 10 Vic., c. 97, on 28th August, "1846, the several provisions for repaying one-half of the "expenses of the Constabulary were repealed from the passing "of the Act, except as to arrears then remaining unpaid, and "the whole of the expenses were thenceforward charged on "the Consolidated Fund. The several districts were, however, "still made liable to one-half of the expense of any additional "force applied for by the magistrates or of any reserve or "increased force employed therein."

"In 1854 the charge for the Irish Constabulary was "transferred from the Consolidated Fund to the supply grants "voted annually by Parliament. In 1858 the Revenue Police "in Ireland were abolished, and their duties transferred to the "Constabulary. The grant for the Revenue Police in 1857-58 "was £63,120, but their duties have been since executed by "the Constabulary at a far less expense."*

I have quoted this return at length. Its importance is very great. The Treasury to show relief to Ireland, made the case in 1864 that the Constabulary charge was an "Imperial" charge. This view was adopted by the Select Committee—two of the members of which were subsequently Chancellors of the Exchequer—Sir Stafford Northcote and Mr. Robert

* Appendix to Select Committee Report on Taxation of Ireland, 1864, p. 129. This Committee is known as General Dunne's Committee. Sir Stafford Northcote, acted as chairman when the final report was adopted.

The Treas- Lowe—but twenty years afterwards we find that the Treasury
sury now instituted a system of segregating the expenditure accounts
classifies the into "Imperial" "English" "Scottish" and "Irish" ex-
Constabu- penditure, and that they deliberately reversed the position
lary vote as Irish and not they took up in 1864, and in defiance of their own Returns
Imperial of the Report of 1864, of Statute Law, Constitutional Right,
and History and Fair Play, they inserted, without giving any
opportunity to Ireland of knowing what was going on, this
immense charge of over £1,350,000 in their books, no longer as
an "Imperial," but as an "Irish" charge, and then assessed,
and have ever since calculated the contribution of Ireland to
so-called "Imperial charges" as less by this £1,350,000 than
it would have been, had the Constabulary charge been in-
serted as it ought to have been in the "Imperial" column.

If the Consta- This is not a mere matter of academic arithmetic, it has meant
bulary vote thousands and thousands of pounds of hard cash, which would
was classified have come for eighteen years back, and would, this day, be
as Imperial, coming to Ireland in the shape of "Equivalent Grants." The
Ireland's transfer to the "Imperial" column of this one item alone,
Equivalent would of itself, have brought up the proportion of the Irish
Grants would be more than Equivalent Grants far above 9 per cent., and reduced that of
9 per cent. England, considerably below 80 per cent., when they shared in
any proportionate subventions for local purposes from the
Common Exchequer based, as these subventions have been
based, upon a calculation of what each of the Three Kingdoms
is assumed to have contributed to "Imperial" or "Common"
expenditure.

That this transfer of the Constabulary vote from the
"Imperial" to the "Irish" column, in the Expenditure
Returns, was done not without deliberation by the
Treasury, is demonstrated by the remarkable examination
of Sir Ed. Hamilton by Mr. Sexton before the Royal
Commission on the Financial Relations between Great
Britain and Ireland, in 1894, just twenty years after the
report of Sir Stafford Northcote's Committee,* had been
laid upon the table of the House of Commons. In contem-
plation of the English Local Government Act of 1888, and
the Grants in Aid of Local Taxation which were to be made
to the Three Kingdoms for the purpose of financing the new
local authorities, the Treasury prepared certain calculations
purporting to ascertain the contribution of each of the Three
Kingdoms to "Imperial" purposes, and the percentage of
contributions made to the Local Bodies from the Exchequer
was based on these calculations. It is clear that the
Constabulary charge was then a matter of debate in the
Treasury; and that at first it was put down as an "Imperial"

* Financial Relations Commission Report, Vol. II., p. 70.

charge by Mr. Goschen; but that subsequently it was put down entirely as an "Irish" charge—as it has ever since appeared in the Revenue and Expenditure Returns. Sir E. Hamilton was pressed by Mr. Seaton, and admitted that the transfer from one column to another in the returns would make a considerable difference, and said: "It never has been disputed, I think, that part of the Police Charge in Ireland may be considered an 'Imperial' charge," and then he replied: "I think it would be fair to transfer £600,000 of the charge from the 'Irish' to the 'Imperial' column." But not £1 of the charge has ever been so transferred in these returns.

The Constat-
bulary vote
was origi-
nally treated
as an Im-
perial charge
by Mr.
Goschen, but
since trans-
ferred to the
Irish
column.

Let us consider again, another large item of £223,000 which was charged against Ireland for "collection of Revenue" and is treated as an "Irish" and not as an "Imperial service." Sir E. Hamilton, representing the Treasury, says: "I think it "an open question whether collection of Revenue in Great Britain and Ireland should be regarded as an Imperial service "or not." Again, the Lord Lieutenant's expenses as representative of the Sovereign in Ireland are charged entirely against Ireland, while the Duchy of Lancaster's "Wine Compensation," and Duchy of Cornwall's "Tin Compensation" are ranked as "Imperial."

Collection of Revenue charge should be Imperial.

Lord Lieutenant

The Post Office services which are essentially "Imperial," Post Office, are segregated and separately charged—the Irish service, naturally, costing more, proportionately, than the English—and on the whole, it may be said that there is hardly an item in the long catalogue of Civil Government charges upon which a discussion might not be raised as to how far it is properly chargeable against any one of the Three Kingdoms, or should be treated as a so-called "Imperial" charge. This segregation was made behind the scenes. It was never discussed or considered by Parliament. It has been altogether a Treasury calculation, and a Treasury computation, and the Treasury has never disclosed the actual figures upon which they first divided the Grants in Aid into 80, 11 and 9 per cent. Thus upon a segregation unwarranted by the Constitution, undisclosed to the Public, undiscussed in Parliament—and, which on the admission of one of their ablest officials, Sir E. Hamilton, contains moots and doubts in some of its most important particulars, the revenue distribution has been going on to the detriment of Ireland since 1888, and returns are annually presented to Parliament, and published to the country which represent Ireland as contributing less and less to "Imperial" Revenue, though her taxation is increasing more and more. In fact, the higher the expenditure of the United Kingdom on all its services—War, Army, Navy, the Empire, and at Home, and the greater the taxation imposed

The original figures and calculations upon which the 80 per cent., 11 per cent. and 9 per cent were based have never been disclosed.

to meet these charges, the less and less under these fallacious returns necessarily must appear to be the contribution of Ireland to these unfairly segregated so-called "Imperial services." But the substantial grievance that Ireland has in this matter, is in the practical attribution of pounds, shillings, and pence when the revenues are distributed among the Three Kingdoms, and the principle is applied "to him that hath shall be given, and him that hath not from him shall be taken even that which he hath." Speaking on the Irish Development Grant Bill, on 2nd April, 1903, Mr. Caldwell, now Deputy Speaker, who had previously, in 1888, raised the question of the propriety of these "Equivalent" grants, said: "The first dealing of the principle of the equivalent grant, with regard to Scotland, was in 1888, when Mr. Goschen was Chancellor of the Exchequer. Mr. Goschen then calculated that out of every £100 raised for Imperial purposes, £80 was raised by England; £11 by Scotland, and £9 by Ireland. These were the proportions in which Mr. Goschen satisfied himself, the revenue of the Imperial Government was contributed, and accordingly when England got money from the Imperial purse for a particular purpose, for every £80 Scotland got £11, and Ireland £9—that being the proportion to which these respective countries contributed to the national purse,"* and Mr. Ritchie, the Chancellor of the Exchequer, acknowledged the same proportions, and said:*

Mr. Ritchie
acknowledges the
percentages
are not defensible.
"He did not think it was possible really to defend in all its details Distribution by Contribution. It was impossible to follow taxation in any particular country, and to say how much one part contributed and how much another."

Mr. Wyndham
declares the
equivalent grant
is unjust.
"In 1889 and 1890, I think the equivalent grant to Ireland and Scotland was calculated upon the proportion coming from Ireland or Scotland to the Common Exchequer. That leads to results which all must hold to be illogical, and results which everybody in Ireland holds to be unjust, because the greater the increase of the taxation, the less is the proportion that comes from Ireland, the poorest partner in the business, and so the less is her equivalent grant. As the evil increases the remedy diminishes, and you have only to force up taxation to a sufficiently high point to extinguish the remedy altogether, or to give it on what may be called homeopathic doses." †

The "Equivalent" Education Grants.

In the details of Civil Government Charges, 1901-1902,

* Parl. Deb., Vol. 120, p. 976.

† Parl. Deb., Vol. 120, p. 823.

before the passing of the English Education Act of 1902, the following items appear :—

England—Board of Education	..	£9,765,000	Great increase in Education votes in Great Britain, 1903 to 1906.
Scotland—Public Education	..	£1,353,000	
Ireland—Public Education	..	£1,301,000	

In this year's estimates—1906-1907—these items appear as follows :—

England—Board of Education	..	£13,139,600	
Scotland—Public Education	..	£1,972,000	
Ireland—Public Education	..	£1,393,223	

Thus in four years the Education vote in England has increased by £3,374,600, that of Scotland by £619,128, and that of Ireland by £92,223.

It is evident from these figures that the state assistance to Irish education has been entirely outpaced by the grants to England and Scotland, and that there is nothing "equivalent" in the Education Grant figures for Ireland as compared with those of Great Britain. The Aid Grant to local education authorities for Elementary Education in England for 1903, amounted to £1,418,277, this was a grant *for half* the year, and it so appears in the Civil Estimates.* In the present year's estimates this particular aid grant appears as £2,474,000.

In the Scotch estimates the corresponding Aid Grant is called the "General Aid Grant," and for the *half-year*, 1903-4 it appears as £106,000. In the estimates for this year, 1906-7, it appears as £327,563 (including a re-vote of £100,000).

There is no such Aid Grant on the Irish estimates, but the sum of £185,000 is allocated for the Irish Development Fund Grant.

The reasons for this remarkable discrepancy in the amounts granted for elementary education to the three kingdoms within the last three years require careful investigation.

Under the English Education Act of 1902, provision was made that a capitation grant should be paid from the Exchequer for each scholar attending elementary schools. For the year 1903 this grant which went to relieve local ratepayers amounted to £1,418,277 for the half year.† Having regard to his grant, Mr. Macartney asked the Chief Secretary for Ireland, Mr. Wyndham, whether it was the intention of the Government to apply the Irish equivalent of the English education grant to educational purposes in Ireland, and if not to what purposes it was to be applied? The official answer was that

* Estimates 1903-4, p. 360.

† Parl. Deb., Vol. 110, p. 917, 7 July, 1902.

Sir Michael Hicks Beach "it had been decided by Parliament in 1897 that educational expenditure could not be dealt with by way of equivalent grants specifically allocated to that purpose irrespective of existing educational needs and facilities. But as the proposed charges in the English Education Bill would involve a considerable additional charge on the Common Exchequer for English purposes, it would be necessary for his Majesty's Government to consider what might be the requirements of Ireland for further expenditure either in the matter of education or for other objects, and to make reasonable proposals to Parliament for meeting them."

Decided in 1897 that the Education votes should depend on Educational requirements, and not on Equivalent Grants.

Again, on 21st July, 1902, a similar answer was given by the Chancellor of the Exchequer, Sir M. Hicks Beach (now Lord St. Aldwyn) to Mr. J. Clancy. He said "it was decided by Parliament in the legislation of 1897 that the expenditure from the Exchequer of the Three Kingdoms should depend upon their Educational requirements, and not on any system of equivalent grants.* If the Irish Government should have any proposals to make with regard to further expenditure on education in Ireland, of course the Government would be disposed to act justly by Ireland in the matter. But I may add, he said, that it does not follow that because a fresh grant from the Exchequer is made for a particular object in one of the three kingdoms, that a grant should be made for the same object in the others. For example, we have proposed this session to impose a considerable liability on the Exchequer for the purchase of Congested estates and for marine works in Ireland, without making any similar proposals for Great Britain."† This reply of Sir M. Hicks Beach deserves particular attention, as he subsequently, in 1903, severely criticised the diversion from educational purposes of the £185,000 Development Grant and the misappropriation to Land Purchase of this comparative "fleabite" as he termed it while Irish Educational wants were left unsupplied.

The 1903 Comparative Grant based on population not on "Imperial" contributions.

The principles thus laid down by Lord St. Aldwyn, and to which he adhered to during his Chancellorship, were however, in the year 1903, departed from, and a new style of equivalent grant based upon a new principle, that of Population, instead of assumed contribution to "Imperial Expenditure", was adopted. Mr. Wyndham and the new Chancellor of the Exchequer, Mr. Ritchie, adopted this new system with the expressed object of benefiting Ireland. They admitted that

* See Parl., Vol. XLV., 1054, 1312; see also Vol. L. 1010, Sir Michael Hicks Beach, 2 July, 1897. "It had been found absolutely impracticable to work the system of Equivalent Grants in connection with the Free Grant for Scotch and Irish Education."

† See Marine Works Ireland Bill, 1902.

he system of "Contribution" proportions on the 80, 11, and 9 per cent. scale was indefensible, and they selected the basis of "Population" as a more favourable one for Ireland. But whatever may have been their professed intentions, events have rendered them disastrous to Irish education. The Irish grants in aid have become inextricably blended with Land Act Finance, and the result has been that the so-called Irish "Development Grant" has become an "Exchequer Relief" Grant. A glance at the Development Grant budgets will prove that it is being exploited as the Irish Church Fund was used for the purpose of choking off Irish demands on the Common Exchequer, and relegating the applicants to this hyper-hypothecated and now non-equivalent £185,000 per annum.

The discussions on the Ireland Development Grant Bill of 1903 are of great importance. They bring to light the principles adopted by different Chancellors of the Exchequer during the last twenty years, in dealing with the question of these "Equivalent Grants" to Ireland and Scotland, and they demonstrate the exceedingly unsatisfactory position in which the whole of these financial arrangements are now placed. Mr. Wyndham, in introducing the resolution of 1st April, 1903, that an annual sum not exceeding £485,000 should be placed upon the Consolidated Fund for providing a special fund for the development of Ireland, stated that the proposals of the Government contained certain features which they admitted to be novel, and believed to be important.* The £185,000 was to be devoted to three purposes:—First, to form a guarantee against all contingencies of loss attaching to the flotation of land purchase stock, certain to amount to £50,000 a year for four years, and then to secure a charge of £20,000 a year for the Congested Districts Board, thus leaving £115,000 a year, and he anticipated that having regard to losses likely to occur in issuing the stock at a discount, there would be nearly £100,000 a year available for four years, and that after that about £150,000 per annum would remain for Irish needs. This anticipation has been completely falsified owing to the fall in the value of Government securities. Secondly, the fund was to be available for the Educational needs of Ireland. In 1902, he said, £1,400,000 a year had been granted for the purposes of education in England, and the Government held that the grant of £185,000 to Ireland was a set off to that, and that it belonged to Ireland in equity really as much as the Irish Church Surplus Fund belonged to Ireland. If the calculation was made on the basis of £1,400,000 a year being given to England, there was apparently a mistake of a very serious character, for the figure on the estimates for English

* Parl. Deb., Vol. 120, pp. 823-976, 2 April, 1903.

education, 1903-04, is £1,418,277 for the *half year*, and the figure of the Aid Grant to England under the Education Act of 1902, now appears on the estimates as £2,474,000 for the *whole year*. It may possibly be the case, that allowing for a change in the system of grants, the total increase for the *whole year*, 1903, was £1,400,000 only; but the figure on the estimates for the *half year* is very like the £1,400,000 mentioned by Mr. Wyndham as the annual grant. This is a matter that the Irish public is deeply interested in, and full inquiry should be made by Irish representatives of all parties into the exact figures upon which the £185,000 was assessed, for if it was, as Mr. Wyndham's statement implies, based upon £1,400,000, being the amount of the grant for the whole year to England, then apparently there is an error in the calculation, and the amount that Ireland should have got and be now getting for the Development Grant ought to approach the figure on the Scotch estimates for the Aid Grant in the present year, £327,563.

Mr. Wyndham's comparison of the Development Grant to the Irish Church Surplus Fund was a somewhat prophetic one. The Irish public have learned by long experience that the result of the disendowment fiscal policy was by no means beneficial to Ireland, and that the Church Surplus was employed, not to relieve Irish rates, but to relieve the Imperial Exchequer from its obligations to Ireland, and that every Irish demand for subvention was relegated to this fund as long as there existed a fraction of the Irish tithes.

Development
Grant com-
pared with
Church
Fund.

The details of the Development Grant Budgets for the two years it has been in existence, prove that the Development Grant, is, like the Church Fund, regarded by the Treasury as an *omnibus* source from which miscellaneous requirements must be met here, there, and everywhere in Ireland. As a fact there is now no available Development Grant, it is all over-swamped to make good land stock flotation deficiencies, and with very doubtful legality it is being now charged not only with these deficiencies but with interest and a sinking fund to make them good. The farce to which the whole thing has been reduced, cannot be better illustrated than by the fact that last year the Board of Works (which is a Department of the Treasury in Ireland), was supplied with a Dredger and Hopper Barge at a cost of £4,300 out of this "Development Grant," and a considerable portion of the fund was paid to engineers for fees for inspecting drainage and other schemes that the Board of Works would have probably put upon their annual estimates were it not that this fund was at least nominally in existence to raven.* Thirdly, the Developmen

* See Appendix.

Fund was to be applied for economic development and transit improvement. Mr. Wyndham said—the system of equal individual taxation throughout the whole United Kingdom must be maintained, but when a large sum is allocated to an exclusively English purpose it has always been the practice of the House of Commons, for which there are several precedents in recent years, to allocate an equivalent grant to Ireland and Scotland. Parliament has recognized the obvious truth that equality of individual taxation does not by any means secure equality of fiscal treatment unless some regard be paid to the objects for which the sums raised by taxation are devoted. The first novelty in the proposal is this. We make a new departure. We say that *the set off to Ireland shall be calculated not upon the quota coming from Ireland as compared with the quota coming from England towards common purposes but shall be calculated on the populations of the two countries as revealed by the last census.*

Mr. Wyndham then stated his views in reference to the necessity of correlating education in Ireland, and he urged that the money would be wasted if Ireland were bound forthwith to spend as much as she could on education and leave the balance! He explained that "this grant of £185,000 a year was to be an indemnity to the Treasury against future demands on the score of education, and a promise to Ireland that such demands should be met when they mature." Having made the statement that the grant could not be then profitably spent upon education, though some of it might be profitably devoted to the development of Evening Continuation Schools and to the promotion of Technical Instruction, he said that Ireland ought not to have to choose between the alternatives of wasting or losing the money. Therefore, the grant must be put in the Bill and held up that it may be expended on proper Irish objects as the opportunity occurs. "If the Bill is carried," he said "it will be far more easy to carry out projects on which the opinion of Ireland is generally agreed than it has been in the past, when, after prolonged investigation, a Bill was introduced." There can be no doubt that Mr. Wyndham anticipated that there would be a very substantial annual amount available for such educational needs when he introduced his Development Grant and Land Bills of 1903.

On the basis of population Ireland should then have got nearly the same amount as Scotland, namely, £212,000 instead of £185,000, and since 1903, Irish members of Parliament of all parties, public men, prelates, and church synods and assemblies, and everyone who has considered the subject in Ireland, no matter what their politics may be, has protested against the cramping of education needs, and urged that if Ireland had been treated in this matter as England and Scotland have been

since 1903, she would be receiving not a mortgaged £185,000, but over £300,000 per annum more than she now does for education purposes.

The present Prime Minister, Sir H. Campbell-Bannerman, in 1903 asked would not the old system of proportionate payments have given a larger sum to Ireland than the basis of population, but Mr. Wyndham replied that under the proportionate system Ireland would have got only £120,000, whereas she was to get £185,000 on the population basis.*

The Chancellor of the Exchequer (Mr. Ritchie) said that the system of distribution adopted in the Development Grant Bill, was different from the system of distribution under which these grants had been distributed previously.

"The Government thought the system of division according to population was a much more convenient and simple way of dealing with this question than by the contribution system. *He did not think it was possible really to defend in all its details distribution by contribution. It was impossible to follow taxation in any particular country and to say how much one part of the country contributed and how much another.* The Government, therefore, thought that the better plan was to adopt the population basis. So far as Scotland was concerned the effect was the same, but undoubtedly Ireland was more favourably treated by the population system than by the others. But having regard to all the circumstances of Ireland, and the character of its population, he thought the House would not grudge Ireland's receiving rather more by taking the population basis than by taking the contribution basis."

Mr. Ritchie states: "Distribution by Contribution is indefensible."

Mr. Asquith: "The system is confused and illogical."

Mr. Asquith (now Chancellor of the Exchequer) said "No one objects to Ireland receiving her fair share, whatever may be the proper criterion by which you are to determine it, correspondingly to the grant made to England under the Education Act, but an extraordinary resolution characterises the action of the Ministry in relation to this money. Equivalent grants were started a long time ago when Mr. Goschen was Chancellor of the Exchequer. The theory then was that the three parts of the United Kingdom ought, for this purpose, to be treated as separate entities, but the basis upon which the division was made was that of their relative contributions to the Exchequer. Then followed the era of Sir M. H. Beach, who was the determined foe of equivalent grants. He denied there was any such thing as a separate fiscal entity in the United Kingdom, and set his face steadily against the recognition of any claim either of Ireland or of Scotland to a substantial grant, simply because an additional sum had been given to England. Now we come to the third stage in the

* Parl. Deb., Vol. 120, p. 842.

evolution of the policy. We have a new Chancellor of the Exchequer who differs from both his predecessors, he agrees with Mr. Goschen as to the principle of equivalents and treating the three countries as separate fiscal entities, but he differs from him as to the basis of division. Throwing aside the precedents of the last twelve years, he has adopted as the basis on which the division is to be made for the future, or at any rate, so far as the present proposal is concerned, not relative contribution but relative population. A more confused and illogical condition of things it is hardly possible to imagine. The House ought really to take the opportunity of threshing out the principle upon which these equivalent grants ought to be distributed between the three countries." *

Mr. Asquith is now Chancellor of the Exchequer, and speaking in that capacity on 1st May, 1906, he declared that he has not receded one inch from the attitude he took when in Opposition on the Financial Relations Question, and that it was his most earnest desire to give effect to his former vote by translating it into concrete action.† Ireland is unanimous in demanding justice in Financial and Educational treatment. Mr. Asquith has the opportunity himself of threshing out this subject, and putting the whole system upon some solid basis; and Irishmen, whatever their differing views on politics may be, should unite in assisting in the settlement of this all-important matter for their country.

In discussion on the Development Grant in Committee on 31st May, 1903, it was pointed out that in England and Scotland the Education Grant was calculated on the basis of so much for each child attending school, and that Irish children would be worse off than English or Scotch children, for if the number of school children in Ireland increased they would get less per head instead of more, as the Irish Grant was stereotyped at £185,000, and it was urged that the grant should be made to increase automatically as it would in England and Scotland.

How accurate this anticipation was is shown by the education estimates since 1903. The Development Grant has been kept at £185,000, it has been kept back from educational purposes. It has been swamped in floating land stock at a deficit, while all the time the English Education Grant under the Act of 1902, has gone on increasing automatically on the swelling the estimates.‡

Sir Michael Hicks Beach intervened in this debate, and

The Development Grant stereotyped, the Educational Grants exhaustive.

* Parl. Deb., Vol. 176, p. 1088.

† Parl. Deb., Vol. 156, p. 434.

‡ Civil Service Estimates, 1903-1904, and 1906-1907.

the observations of this great financial authority seem to me to point out the true lines upon which this confused and most unsatisfactory system of grants in aid for each of the three kingdoms which now prevails, should be reconsidered and re-cast.

Lord St.
Aldwyn con-
demning
Equivalent
Grants.

“He confessed,” he said, “that he always had a very strong objection to the system of equivalent grants, because when they had made a grant for a certain purpose to England, they were obliged to make proportionate grants to Ireland and Scotland, quite irrespective of whether they needed them or not, therefore, when he was Chancellor of the Exchequer, and when they increased the payment for primary educational purposes in England by a grant in aid of voluntary schools, he declined to treat it on the basis of equivalent grants to Scotland and Ireland, but he agreed to devote certain sums to various purposes, not being necessarily educational, but purposes for which money was required. Indeed there was a pledge given to both Ireland and Scotland on account of the large grants made in 1902 for primary education in England. That relieved the voluntary subscribers or ratepayers in England of a liability which previously had been imposed upon them, but it did not follow to his mind that a precisely similar grant for a precisely similar purpose should be made to Scotland or Ireland either on the old basis of 80, 11, and 9, or on the new basis of population which was a new basis altogether. What he would like to have seen done was this—seeing that a grant was made last session to England, the educational necessity

The needs of
each Country
should be
met in the
Ordinary
Estimates.

of Scotland and Ireland should also have been considered, and money proposed in the ordinary estimates to meet such necessities. He had seen something of Irish education, and to tell him that no more money was required for the purpose of primary education in Ireland was to tell him what he did not believe.

What had happened in this matter for many years past was a large proportion of the salaries of the elementary teachers in England had been met either by private subscriptions, or from the rates. The effect of the Act of last session was that a considerable proportion of that sum would in future be met by Parliamentary grants. What had happened in Ireland? Now that England was relieved Ireland should be relieved also by securing better payment and education of teachers. That was the way he would like to have seen this matter dealt with, but the Government had coupled this question, which was purely educational, with a question that did not belong to it—the cost of the Irish Land Bill of 1903. So far as regarded a portion of this grant, which was professed as a grant in aid of the Irish Land Bill, that was a flea-bite in the Exchequer. Whatever it was expected to get out of this £185,000 for the purpose of the Land Bill, he very much wished

that the cost of the Bill had been dealt with in the Bill itself, leaving this money entirely alone."

The principles enunciated by Sir M. Hicks Beach, are, it seems to me, far the soundest upon the subject, and I believe far the best for Ireland. The "Imperial Contribution" proportions are a fraud upon Ireland. "Population proportions" seem unfortunately almost certain for some time to come to fall back more and more to Ireland's disadvantage. The true basis is the basis of each kingdom's need. England has her needs, they are sure to be supplied. Scotland has her needs, let them be supplied. Ireland has her needs, let them be supplied, and having regard to her comparative poverty, let them be supplied "not grudgingly nor of necessity," but by the Chancellor of the Exchequer as a "cheerful giver." I believe this is the sound constitutional principle under the Act of Union, and the soundest financial principle to observe Adherence to the constitutional Financial principles under the Act of Union best. for the United Kingdom, and experience certainly does not warrant Ireland in attaching favour to any system of equivalent grants in aid in preference to what she is entitled to under a proper application of the theories upon which the system of Union finance was based. In the hard struggle, with the overmastering power of the Treasury, we can well understand Irish members of all parties have been glad to get anything they could for Irish needs, and to grasp at money however they could get it, working on the principle, "*Rem facias rem, Si possis, recte, si non quocunque modo rem,*" but nothing can be worse for Ireland as a constituent member of the United Kingdom than the continuous inversion by successive governments of all parties of the financial principles which underlie the Act of Union.

These principles are in Taxation equality of burden—(a very different thing from identity of imposts), and a practical and careful application of the clauses which now entitle Ireland, and if need be, Scotland, to exemptions and abatements:—in Expenditure a right in each kingdom to fair supplies out of the common Exchequer, to meet its own peculiar needs, without discrimination upon any comparative basis or system of proportionate distribution.

Ireland has suffered by neglect and non-observance of both these principles, firstly, she has been overtaxed, and is overtaxed, chiefly owing to the narrowing of the basis of taxation and the system of Whig finance, and peculiarly the Gladstonian finance, which did away with the chief exemptions she enjoyed in the matter of stamp duties, death duties, and income tax, and concentrated upon the few commodities which she chiefly produced, and upon articles her poor population chiefly consumed, a narrowed system of excise and custom revenue; secondly, under the modern "Equivalent Grant" system she

has never got her true equivalents, while under the latest phase of Land Purchase Finance and the Development Grant idea, her educational progress is arrested, and her system of local Government is becoming seriously imperilled, and will be totally disorganised unless Parliament intervenes to prevent her subventions from being absorbed into the Land Act Guarantee Fund, and reverts to the system of providing for Irish wants as English wants are always provided for, on the basis of necessity, and not on the basis of equivalents or compensations, or of financing Irish needs at the expense of other Irish services or subjecting her educational and municipal requirements to the crushing liability of guaranteeing the Imperial Treasury against the effect of a fall in the value of Imperial funds.

The Development Grant.

We have seen the genesis of the Development Grant. It is the final outcome of the so-called equivalent grants. Let us consider its features and its future.

It was one of a group of triplets, born in 1902-1903. The elder of the group—the English Education Grant—has done amazingly well, and has been growing lustily year by year. The second—the Scotch Education Aid—has also flourished exceedingly, and shows like healthy and increasing proportions; but the third—was from the first, a dwarfed and puny out-put—it had in it no element of growth, and therefore, it was given an expansive denomination and termed “Development” but surely its sponsors kept back at the font its full name. It should have been called “Arrested Development.” It has now became the Atrophy Grant, and is an instructive subject for study in Morbid Financial Anatomy.

Destined from its birth, not to grow with the growth of its English and Scotch sisters, it has further met the unhappy fate of being strangled in the coils of Land Purchase Finance. As consols fall so it fades—and alone among all the equivalent or other grants that ever were destined to assist the needs of any of the Three Kingdoms or the Empire, it has to bear the full loss of the depression of the money market, and to make good deficits in floating government loans—its liability is indeed still more serious, not only has this so-called Development Fund to make good these losses on flotation, but it is also charged with $2\frac{3}{4}$ per cent. upon the capital amount of the deficiency which arises upon each flotation. I am not aware that any other portion of the United Kingdom has ever hitherto had to see the whole scheme of its Local Government, and the progress of its Education imperilled on account of a depreciation of the Imperial funds,

The Atrophy Grant.

Strangled in Land Finance.

arising from circumstances for which it is in no way responsible.

The *Economist*, upon the issue of the first £5,000,000 of Irish Land Stock, under the Act of 1903, thus criticised the financial clauses of the Act :—

The *Economist*
1st on the
Land Act
Finance.

“ Under the scheme any deficiency arising from the issue of Land Stock at a discount is to be made good out of the Guarantee Fund, which consists of the Exchequer contributions to Ireland in aid of local taxation and for education, the maintenance of roads, the support of pauper lunatics, etc., and that fund is also to be charged with any deficiency that may arise on account of the difference between the amount paid by purchasing tenants on the money actually advanced to them, and the interest payable on the total amount of stock out-standing. Now at the net price of eighty-six at which the £5,000,000 of new stock is issued, it will produce a sum of £4,300,000. That is to say, there will be an initial loss on issue of £700,000 to be charged against the so-called Guarantee Fund, and in addition, an annual loss of about £20,000, arising from the fact, that while the purchasing tenants will pay $2\frac{3}{4}$ per cent. interest, and one-half per cent. sinking fund only on the £4,300,000 actually advanced to them, provision will have to be made for interest and sinking fund on the amount of stock issued. And if this is to be the charge entailed upon the Guarantee Fund in connection with the issue of £5,000,000 only of stock, what will the charge amount to when the whole amount of £100,000,000 and more, authorised by the Purchase Act, has been borrowed and advanced to the Irish tenants ? The Guarantee Fund will be bankrupted, and not only so, if the funds now available for Irish local expenditure are appropriated for another purpose, the whole system of Irish local administration will be upset by want of funds.”—

Economist, 1904, page 834.

That the Development Grant may be now regarded as no longer practically available for any Educational or Economic Development purposes in Ireland, is evident from the return issued by the Exchequer and Audit Department, on 3rd March, 1906, which shows that from the 1st November, 1903, to 31st March, 1905, the nominal amount of Land Stock created for advances under the Land Act of 1903, was during that period £10,000,000, and as the whole of this stock was issued at a discount, £5,000,000 at 87 per cent., and the remainder at a minimum of £88, 10 per cent. This difference amounted up to 31st March, 1905, to £1,190,948 18s. The deficiency is classified as “ Excess Stock ” in the Exchequer accounts, and the dividends and sinking fund for the “ Excess

Development
Grant no
longer avail
able for De
velopment.

An issue o
f £10,000,000
has cost Ire
land over
£1,000,000

Stock" are made good by an annuity charged on the Guarantee Fund established by section 5 of the Land Purchase Act of 1891. The receipts on account of this sinking fund were during the period £3,197 os. 4d.* Up to the 5th December, 1906, the total amount of stock issued was £21,201,444. The total cost of flotation, £42,616. The annual liability of the Development Fund to make good the deficiencies on the issues of stock at a discount £70,290, and the capital liability of the Fund, £2,162,733 5s. 8d.!

The T. C. D.
Estates Com-
mission and
the Develop-
ment Grant

The Vice-Regal Commission Report upon the Trinity College Dublin Estates, and the last two Reports of the Commissioners of National Education in Ireland show the serious condition to which Irish Finance has been reduced by this latest of Equivalent Grants.

The Vice-Regal Commissioners † found it essential to enquire into the security of the £5,000 per annum, which, under the 39th Section of the Land Purchase Act of 1903, was charged upon the Development Grant as an indemnity to Trinity College, against losses upon sales of its estates.

Having reviewed the legislation which enacts that every financial year there should be paid out of money to be provided by Parliament, £185,000 to be called the "Ireland Development Grant," and that subject to the provisions of the Land Act, 1903, this grant was to be paid to a separate account, and any part of it not required for Land Act purposes was to be applied by the Lord Lieutenant: (a) for the purpose of education; and (b) for the promotion of the Economic Development and Transit facilities in Ireland; they point out that the 38th Section of the Land Act of 1903 provides that up to the year 1911, £20,000 a year should be charged on the Development Grant for the Congested Districts Board, and £50,000 a year up to 31st March, 1907 for the Irish Land Purchase Fund; and that the residue of the whole grant should form part of the cash portion of the Land Purchase Guarantee Fund; and so far as any part of it was required for the purpose of making good any deficiency in respect of the issue at a discount of any stock issued under the Act, that portion was to be applied for that purpose next before the Death Duty Grant under the Finance Act of 1894, and any portion of the remainder required for the purpose of the Guarantee Fund was to be applied to it next after the Agricultural Grant, under the Local Government Act 1898. Therefore, subject to the terminable charges, the whole of the Development Grant, is made applicable so far as required to make good any deficiency in respect of the issue at a discount

* *H. C. Papers*, 1906, No. 134.

† Lord Justice Fitzgibbon, Mr. T. Healy, M.P., and Mr. G. Trench.

of the "guaranteed $2\frac{3}{4}$ per cent. stock" raisable for Land Purchase. They then deal with the question of the security of the Trinity College £5,000 charge on the Development Grant.

Sir Robert Holmes, K.C.B., the Treasury Remembrancer, was examined before the Commission, and his evidence makes it clear that the Development Grant is now considered and treated by the Treasury as liable, not only to make good the deficiency from time to time, in the flotation of Land Stock, but also interest on such deficiency at $2\frac{3}{4}$ per cent. The matter is one of such importance, that I quote in full from the report at page 61.

"As to the deficiency on the issue of stock at a discount, the Treasury Remembrancer read a letter from the National Debt Commissioners to the Treasury, from which it appeared that, in the then current financial year, the issue of £5,000,000 stock had been made at a fixed price of 87 per cent. Of that amount £400,000 stock had been assigned to the Land Purchase Aid Fund: the cash to be received in respect of the balance of £4,600,000 stock would be £4,002,000, from which had to be deducted the proportion of expenses of issue, £11,840, leaving the net proceeds of the issue £3,990,160. The deficiency arising from this issue at a discount was capitalized as equivalent to £609,840 stock, which, for the purposes of calculation, was assumed to have been issued, and was called 'Excess Stock.'

"The amount which the National Debt Commissioners required to be made good from the Guarantee Fund, up to June 30th, 1904, was a half year's interest at $2\frac{3}{4}$ per cent. on £609,840, amounting to £8,385 6s.; and a half-year's payment to the sinking fund, at ten shillings per cent. on £609,840, amounting to £1,524 12s.; making a total of £9,909 18s., which sum was required to be paid out of the Development Grant for the half-year ending on June 30th, 1904.

"The Treasury Remembrancer stated that there would be about the same amount payable on January 1st, 1905, so that the charges for 1904, on the Development Grant as part of the Guarantee Fund, would be £20,000 or thereabouts, in respect of the one issue of £5,000,000 stock. He said that there was nothing in the Act about limiting the issue of stock in each year to £5,000,000, but that the Treasury, *in the interests of the Ireland Development Grant*, so long as the stock remained at its present figure, would not, he understood, issue more than £5,000,000 in any year.*

"Upon this method of dealing with the deficiency, we 3 Edw. 7, c. 37, s. 38.~

* See below Appendix II., Irish Development Fund.

have to observe that Section 38 provides that, so far as required, the Guarantee Fund shall be applied for the purpose of making good any deficiency in respect of the issue at a discount of any stock issued under the Act of 1903, and that if these words were interpreted to require that the Guarantee Fund should make good the difference between the amount of cash received for the stock and the amount which would have been received if the same stock had been issued at Par, the deficiency upon the issue of the £5,000,000 stock issued at 87 per cent., as compared with the cash which would have been received if it had been issued at par, would have been £650,000.

"The method of dealing with the deficiency which has been adopted, viz.—capitalizing the deficiency, assuming 'Excess Stock' to have been issued to that amount and then charging the Development Grant with interest and sinking fund in respect of the stock supposed to have been issued, though the annual charge in respect of the £5,000,000 stock already issued is only £20,000, in effect charges the fund, not only with the amount of the deficiency, but also with interest upon that amount at $2\frac{3}{4}$ per annum, until it is paid off by the Sinking Fund of 10s. per cent. In short, it hypothecates the grant for the capital amount of each deficiency, and makes that amount repayable in full by instalments, bearing interest at $2\frac{3}{4}$ per cent., per annum until repaid.

"We call attention to this matter, because of its general importance as regards Irish finance. It is beyond our province to consider whether this method of dealing with the deficiency is authorized by the Act of 1903, Section 36 (6).

"The Treasury Remembrancer further explained that the present charge of £20,000 per annum would go on as long as the first issue of £5,000,000 stock is outstanding, and that if the issue price should remain the same, that charge would be increased by a like amount upon each future issue of £5,000,000 stock. He said: 'the £5,000 is quite safe for the next few years; it would be idle to prophesy as to what would happen after those few years.' Counsel for the grantees asked—'In ten years, assuming things went on as at present, the whole Development Grant will be swallowed up?' In reply, he said—'I think you can make that calculation yourself.'

The effect of the entanglement of the Development Grant with Land Act Finance is vividly illustrated by the reports of the Commissioners of National Education for the last two years. The astounding statement was made by Mr. Wyndham when the Development Grant Bill was introduced in 1903, that Ireland could not profitably spend the amount of her Equivalent Grant on Education, and that it should accordingly

be devoted to other purposes. In 1905 The Commissioners for National Education report as follows :—*

“ We are convinced of the pressing necessity for the National introduction of advanced departments and higher grade schools into Ireland in connection with the primary system of education, and while reluctant again to trouble the Government with the subject we feel that we should not be doing our duty to the great educational trust imposed on us if we did not press an immediate settlement of the question, ‘ Practically 1,000 schools in Ireland are without any sanitary accommodation.’ ‘ Numerous schools require to be provided with suitable seats, desks, maps and fires for the winter months.’ ‘ School prizes and scholarships are urgently needed.’ ‘ Where education is made compulsory in Ireland it is only reasonable that books should be supplied as in Great Britain at the public expense.’ ‘ The school-houses are antiquated—the scales of grants are admittedly insufficient, and it is a sheer waste of public money to erect buildings condemned by all experts as unsuitable for the purpose for which they are provided.’ We are not greatly concerned as to the source from which funds may be voted, but as far as our information goes the Development Grant is hypothecated to such an extent for Land Purchase, that it cannot bear a further considerable charge. Be that as it may, we wish to place on record our conviction that the expenditure on the erection and reconstruction of school-houses cannot be discontinued in the near future without injurious results which will be increasingly apparent with every succeeding year.”

Board Report, 1905.

Disgraceful condition of School buildings in Ireland.

“ It seems to us to be involved in the Legislative Union, and to be a necessary consequence of the identity of taxation in Great Britain and Ireland, that the Irish child should enjoy equal advantages, so far as education is concerned with children in English and Scotch schools.” “ The immediate requirements of the system of National Education must be satisfied if the existing educational inequality between Ireland and Great Britain is even in a small measure to be redressed.” “ The Development Grant is the equivalent of a sum of money voted by Parliament for the relief of the Education rates in Great Britain, and it follows that since such a grant was required in Great Britain, it is far more indispensable in a poor county like Ireland, where it is impossible to obtain from local sources financial provision for the maintenance of schools. Early in 1902 we placed before government our claims, in connection with the grant, and if subsequently the major part of it was sequestered for other purposes un-

The Irish child is, under the Act of Union, entitled to equal Educational advantages with the English child.

* 71st Report, Commissioners National Education, p. 22.

connected with education it was not through lack of representations and warnings on our part."

National Board Report for 1906.

School Building Grants suspended.

But things have gone from bad to worse, and in their report for 1906, they have to state that, "all grants for building and improving national school-houses have been suspended since August, 1905, and as the Treasury have recently attached certain conditions impossible of acceptance by us, it would seem as if the resumption of the awarding of aid has been postponed indefinitely."

"Such is the deplorable position in which the question of building grants has been left after a discussion which has been carried on for ten years. During this long period, although in England and Scotland the principles of school architecture have been constantly improved, and buildings have been erected to suit the needs of an extended curriculum, Irish schools, which were in a much more unsatisfactory state, have been restricted to plans which suited the ideas of half a century ago. Insufficient floor space, insufficient seating accommodation, insufficient class-rooms; no provision for encouraging cleanliness and sanitation by means of the simplest form of lavatories—such are the features of the Irish schools. In the report of the committee of 1902, it is stated with reasonableness that under such conditions, satisfactory work cannot be done, and that the health of the teachers and pupils must suffer."

"We recently called for reports from our inspectors on the condition of the schools in the cities of Dublin, Belfast, and Cork, and we were informed that the overcrowded state of some of the schools in Belfast is so aggravated as seriously to endanger the health of the pupils and teachers.

Shocking condition of Irish Elementary School buildings.

One of our senior inspectors, in reporting upon the condition of the schools under his charge in that city, states as follows:—

"The school buildings on the County Down side of the Lagan are the most unsatisfactory of all. In this quarter of the city, known as Ballymacarrett, the population has increased rapidly within recent years, with the result that most of the schools are congested. The condition of affairs in some of these schools is almost incredible.

"Two days ago, for example, I visited a school and found 401 present, though there is proper accommodation for only 209.

"The average daily attendance at this school was 329 for the year ended 31:12:'04. But much worse remains to be told. I found seventy-eight infants in a room 19 feet by 9½ feet, sixty-four First Standard pupils in a room 14 feet

by $9\frac{1}{2}$ feet (with one window admitting of being opened), and thirty-three First Standard pupils in a room $13\frac{1}{2}$ feet by 10 feet. Surely 'disgraceful' is at best a mild adjective to describe this condition of things, which loudly calls for attention.

"The congestion is so great, that lavatories, cloak-rooms, halls and passages are utilised for class purposes."

"While overcrowding is the chief defect in the centres of population, many of the school-houses in rural districts are mere hovels. Uneven earthen floors, broken roofs, through which the rain freely enters, windows incapable of admitting sufficient light or air, are common defects. Even in schools that afford sufficient accommodation, and that are not defective on sanitary grounds, improvements are required to provide proper class teaching. It is no uncommon thing to find three or more teachers instructing the children in one large room. Really satisfactory work cannot be accomplished under such conditions. In many districts where we hope to see managers uniting to form central schools in place of small and badly equipped buildings, we are precluded from pressing our views, since we cannot hold out any hope of aid towards giving effect to them; nor can we give a grant, for the purpose of effecting necessary structural alterations, to those managers who have been called upon to amalgamate adjoining boys' and girls' schools."

"In concluding our remarks on the subject of building grants we would earnestly press upon your Excellency the urgent necessity of enabling us to place this portion of our administration on a sound and satisfactory basis. An equivalent grant for purposes of education, amounting to about £185,000 per annum, was voted for Ireland in 1902, but this money was converted into a Development Grant, from which various Irish interests, quite distinct from education, were provided for; in particular, the flotation of land stock was hereby expedited in such unfavourable circumstances of the money market that, as the Treasury have said, the fund will probably be exhausted before long. In England, the new education grant was employed to assist the rates; in Ireland, where, as the Government have said, 'there is no immediate prospect of eliciting any material amount out of the rates,' this grant has been largely diverted from education."

The consequence of this policy has been that this immense annual grant, which might have placed Irish primary education on a satisfactory footing, has been a positive disadvantage to Ireland, at least in respect of the provision for school building. In 1902, the Treasury were inclined to treat Irish educational claims in a liberal spirit; there was a prospect of the building

ment Grant,
"a positive
disadvantage
to Ireland."

grant being converted in 'grants-in-aid'; the allowance in necessitous districts was proposed to be increased from two-thirds of the expenditure to three-fourths, and there was no threat of terminating the grants after a short period.

The Treasury attitude.

"Since the voting of the Development Grant, the Treasury have repeatedly proposed that building claims should be placed upon it, and, when it was evident that it was well-nigh exhausted by non-educational services, that the rates should be charged. But we cannot strike a rate, and the Government hold out no prospect of legislation, such as the Treasury desire, being introduced. Hence there seems to be an absolute dead-lock, and we appeal to the Irish Government strenuously to endeavour to remove it in the only way feasible, viz., by inducing the Treasury to abandon the attitude which they have taken up since the committee reported in 1902.

"In order to enable us to deal with the large number of cases that have accumulated in consequence of the practical suspension of grants for the past four years, it is necessary that a sum of £100,000 per annum should be placed at our disposal for the next five years, and that after that date a reduced sum, which can be decided upon beforehand, should be voted each year in the estimates."

Irish Church Funds used, as a rate in aid, of Education.

The point is frequently pressed against Ireland that the local subventions for education are very trifling in amount, and that in England the ratepayers have to contribute largely for the purpose of education. But this objection is not sound. It entirely ignores the very large contribution towards Irish education made from the primary charge on Irish land—the Tithe Rent Charge—through the medium of the Church Property Fund. This is a local fund, and a grant out of it is a grant out of a local tax on lands, just as much as a grant out of rates would be. The following charges for education in Ireland are met out of this Church Fund.—(1) £1,000,000 at $3\frac{1}{4}$ per cent. for Intermediate Education amounting to £32,500 per annum; (2) £1,300,000 at 3 per cent. National School Teachers' Fund, amounting to £39,000 per annum; and (3) £20,000 per annum for the Royal University. These are very substantial amounts—they are raised out of Irish land, and Ireland is thoroughly entitled to meet the objection that she does not strike an education rate by replying that her tithe rates are very largely applied for that purpose. The whole land of Ireland was subject to tithes, and the subvention out of the tithes is practically just as much an education rate as those struck by local authorities in England and Scotland.

Land Purchase Finance.

It is very clear from the statements of the Treasury Authorities which I have referred to, and from the course of events since the Irish Land Act of 1903 has come into operation, that if future issues of stock are made as they have been, in large blocks, at a heavy discount, the financial result will be increasingly serious to the educational and economic progress of Ireland, and that her Local Government financial arrangements may be completely disorganized. It is most important that every possible step should be taken to mitigate these dangers, and, at the same time, to secure the punctual payment to vendors of advances for purchase sanctioned by the Land Commission. The recommendation contained in the report of the Commissioners on the Trinity College Estates of 29th April, 1905, ought to be adopted by the government. They formed the clear opinion that the Land Commission should be empowered, whenever it sanctions an advance to issue to any person entitled to payment whether as vendor, or as owner of a superior interest or incumbrance, an amount of *Land Stock equal in value at the price of the day to the sum of money which he is entitled to receive.* Under the Land Purchase Act of 1891 every advance was made by the issue of Land Stock equal in nominal amount to the advance. Under the Act of 1903 advances are made in money and not in Land Stock, and the required sums have been raised by the issue of Land Stock by Tender and in amounts of £5,000,000 or more at a time in each financial year.

Disadvantages of issuing Land Stock in large blocks.

Recommendation of T.C.D. Estates Commission.

Land Commission to issue Land Stock, equivalent in value to current price of Purchase Money.

“ The Stock issued under the Act of 1891 rose to a premium approaching 14 per cent. ; the stock issued under the Act of 1903 has been issued at an almost equal discount.

“ Under the Act of 1891 the vendors gained the premium ; under the Act of 1903 the State loses the discount, and pays the cost of flotation in addition, and the deficiency falls with compound interest upon the Guarantee Fund, including the Development Grant.

“ Under our proposal the Actual Value would be in every case given and received ; the expenses of flotation would be saved by the State ; and the expense of Investment would be saved by those, who, as in the case of Trinity College and of Limited Owners, are entitled to income only.

“ We suggest that the effect upon the money market would be beneficial ; it would no longer be disturbed and depressed by periodically impending issues of large amounts of Government stock. Instead of being acquired in large blocks, by capitalists or brokers, the stock would be issued

Recommendation of Lord Justice FitzGibbon,

Mr. Healy, M.P., and Mr. G. F. Trench.

to persons entitled to the money value of it. The amount of stock to be issued would be regulated by the amount of advances sanctioned by the Land Commission, and by the progress made in bringing the Purchase Acts into operation. The stock would remain in the hands of Owners, as a Trustee Security, and a source of secured income, until their necessities, or their interest, brought it upon the market in the natural course. It would be the interest of the Owners to maintain its market price. Public credit would be restored by what would be, in effect, a resumption of cash payments by the State, and the difficulty would be relieved, which has been stated to be, at present, an almost insurmountable obstacle to the application of the Purchase Acts to the Estates of Trinity College."*

Land Stock
might be is-
sued to small
investors
through the
Local Banks.

It occurs to me, that it would also be possible to issue quietly and continuously through the Local Banks in Ireland, and without periodically disturbing the money market, a very considerable amount of Land Stock upon conditions under which it would be taken up and held largely by the farming classes and small investors, with the result that the periodic strain on Government Securities of Land Stock flotation might be considerably relieved—the "absentee drain" from Ireland of the annual instalments partially corrected, and an element on the side of order, thrift, and stability introduced among the Irish peasantry. Thus as the petty land-owners of France hold immense quantities of the French Rentes, so might the peasant proprietors of Irish land become also peasant proprietors of Irish Land Stock.

Mr. Commissioner Vernon, who had been a Director of the Bank of Ireland, as well as a land agent, before he was appointed to the Land Commission, knew Ireland, the Irish people, and Irish banking thoroughly. In his evidence before the Bessborough Commission on the Irish Land Question in 1880, and again before the House of Lords Select Committee on the Land Question in 1882, he urged the desirability of issuing, in small sums, a land debenture or stock which he believed would become a favourite investment in the country. It was, his opinion, that £10,000,000 could certainly be raised in this way in Ireland among the small farmers. At that time—1880—£30,000,000 was invested on deposit in Irish Joint Stock Banks. This

* See Report of the Discussion on this proposal, by the Incorporated Law Society of Ireland, 7th August, 1905, and the speeches of the President, Mr. E. D. McLaughlin, and Mr. Wm. Fry, meeting a criticism in the press that the holders would realize the Stock immediately, Mr. Fry said, "he ventured to think that trustees and incumbrancers who might receive this Stock would not realize it in a hurry, but would retain it rather as a more or less permanent investment."

was an element of wealth which he believed "could be tapped and applied to the purposes of the Land Commission with great benefit to the country."

He urged that one of the objections to a system which would create a number of small proprietors in Ireland by the aid of the State, was that, while absentee landlords in Ireland were a great evil, the State under a system of Land Purchase would become a great absentee landlord for a long series of years, and would be draining away out of Ireland purchase instalments into the English Treasury, and that this would be an exaggerated form of the absentee evil. He suggested that Land Stock might be issued in such a way as to localize its character by being issued in small sums which would gradually attract the savings of the people. That coupons for payment of the dividends should be payable in Ireland and they could be discounted through the local banks. He believed the effect would be very favourable to the stability of the Government and the peace and order of the country. It would enlist the body of the people, the holders of these securities, on the side of order very strongly, and more strongly still, perhaps, when they came to connect them with the primary security on which they would be charged viz., the land itself sold to the occupiers.*

The Lords' Committee was presided over by Lord Cairns, and among its members were the Marquis of Salisbury and Lord Brabourne (Mr. Lowe). They reported that—

"They attached much weight to the proposal of Mr. Commissioner Vernon for the creation of a stock which might be issued under conditions which would lead to its being held locally, and being used as an investment in Ireland, and which might thus both tend to counteract the evil apprehended of an absentee drain, and also itself become an element on the side of order." †

The deposits in Joint Stock Banks in Ireland have risen from £30,000,000 in 1882 to £45,000,000 in 1905, and to £45,842,000 in 1906, and now afford a still wider field for the operations which Mr. Vernon suggested.

The object of securing small local investments on Irish Land Stock could, to a considerable extent, be carried out by means of the Post Office Savings Bank. The ordinary deposits in the Post Office Savings Bank in Ireland have risen from £1,832,000 in 1882 to £10,237,351 in 1906—and Irish

* Report of Select Committee of House of Lords, on Irish Land Law, 1882. Q. 4191-4215., pp. 393-394.

† Report of Lords Committee, 1882, vol. VIII. See also Bessborough Report, p. 1106, Q. 35422-35435.

depositors each hold on an average £21 2s. 9d., as against £15 os. 7d. for the English, and £13 14s. 10d. for the Scotch depositor. The steady rate of increase in their deposits, and the substantial character of them show the confidence of the Irish people in this class of investment which returns them 2½ per cent. on their money. Again, the excellent arrangements of the Post Office Savings Bank system are peculiarly adapted to meet the requirements of those who put by their little savings, and to whom a little interest on these savings is a great gain and incentive to thrift. I doubt if people are generally aware of the large amount of investment in Government Stock which takes place through the Post Office Savings Bank. In 1905, £2,212,285 stock was bought, and the stock remaining to the credit of stockholders was £17,877,664.

A depositor in the Post Office Savings Bank who desires to invest in Government Stock can do so at any post office, and he can invest any sum from one shilling upwards in 2½ per cent. Consols, in 2½ per cent. Annuities, in 2¾ per cent. annuities (1905) and in Local Loans 3 per cent. Stock. These investments can be made either by means of money specially deposited for the purpose, or by the transfer of moneys already standing on ordinary deposits in the Post Office. The investor can hold up to £500 stock standing to his credit in the Post Office books, and he can invest up to £200 in any one year. Deposits for investment can be made to the account of minors under seven years of age, while minors over seven years of age may even themselves make investments, and sell their stock in the same manner as persons of full age. The Post Office has, within recent years, brought the facilities offered by the Savings Bank, under the notice of the managers of elementary schools, with the object of encouraging thrift among the young.

The following table published in the last report of the Post Office in July, 1906,* gives but a faint idea of the gigantic operations of the Post Office Savings Bank :—

—	Number of Depositors.	Total amount to Credit of Depositors.	Average amount to credit of each Depositor.	Proportion of Depositors to Population.
England and Wales ...	9,027,112	£ 135,668,450	£ 15 0 7	1 in 3·8
Scotland ...	451,627	6,205,339	13 14 10	1 in 10·4
Ireland ...	484,310	10,237,351	21 2 9	1 in 9·1
	9,963,049	152,111,140	15 5 4	1 in 4·3

* 52nd Report of Post Office, 1906, p. 14.

This table shows that Irish depositors are increasing in numbers. In 1904 they numbered 465,095, in 1906 they are 484,310, an increase of over 19,000. In 1904 the Irish deposits were £9,852,211, in 1905 they were £10,057,000, and in 1906, £10,237,351—an increase of over £200,000 within the last year. This return brings to light also, one of the contrasts between Scotland and Ireland. The Irish deposits exceed the Scotch by over £4,000,000, and each depositor holds on an average, a much larger amount to his credit. The probable explanation is that the Scotch small investor finds more openings beside him for employing his money in business than the Irishman does, for in Ireland, unfortunately, there is but too little opportunity for local trade investment of small earnings.

I suggest that Irish Land Stock should be included among the Government Securities, into which the depositor in the Post Office Savings Bank can put his shilling or his pound. There is no reason why guaranteed $2\frac{3}{4}$ Land Stock should not become in Ireland and through the United Kingdom a popular Post Office Savings Bank investment. If necessary a branch of the Post Office Savings Bank for the purpose of dealing with this Irish Stock could be opened in Dublin, and not altogether centralized as at present in London.

Facilities also could be given, as Mr. Vernon proposed through the Irish banks of making these small investments in Land Stock. The yearly increase in the amount of deposits in the Post Office Savings Bank is measured by millions. In 1900 the amount was £135,549,645, this has leaped up to £152,111,140 in 1906, an increase of over $16\frac{1}{2}$ millions in five years. Why should not this source of supply be opened up for Irish Land Stock? The periodic flotation of immense loans on the London market has been proved by experience to disturb and depress the market. It was on this account that the great financiers of the city exacted something like a promise from the Government not to issue more than £5,000,000 per annum of the stock. These blocks of stock are issued at a great discount, and these deficits have fallen, with crushing effect on Ireland, and wiped out the fund from which it was hoped that her clamorous educational needs might, to some extent, have been satisfied. Every effort ought to be made to check the impact upon Ireland of these financial shocks.

If notices were posted in all the Post Offices in the Three Kingdoms, calling attention to the $2\frac{3}{4}$ Guaranteed Land Stock investment, and inviting petty investors to put their money into it across the Post Office counters, there can be little doubt that considerable quantities of it would be gradually taken up year by year, and Post Office "Shamrock's" would

probably become as popular in the people's pocket as the "chosen leaf" is in their button hole. The Postmaster-General and the Chancellor of the Exchequer might between them, make a very good St. Patrick's Day of it, if they floated the "Shamrock" on the 17th March, 1907.

Summary.

To summarize the views which I have ventured to put forward.

I believe that as long as Great Britain and Ireland form a United Kingdom, the only sound basis for their financial arrangements, is to adhere to the financial principles upon which they entered into that Union. The carrying out of those principles, involves that taxation should be so arranged as to fall equally—that is with equality of burden according to their resources—upon each of the Three Kingdoms; and that the expenditure of the revenue raised by those taxes should be "Common" expenditure, fairly applied to meet the particular needs of each of the Three Kingdoms.

I believe that the present system of taxation, with its narrow basis and peculiar incidences, presses, and has long pressed unduly upon Ireland, and that the "Exemptions and Abatements" clauses of the Act of Union have not been, and are not sufficiently observed having regard to the comparative poverty and the peculiar circumstances of Ireland.

I suggest that the Vice-Treasurership of Ireland under the Act for consolidating the Exchequers should be restored.

The system of subvention of the local needs of Ireland and Scotland inaugurated in 1888, is neither constitutional or financially sound. It implies that England is to have the full measure of her needs supplied, and that then a percentage of expenditure is to take place *cy pres* in Scotland and Ireland, instead of Scotch needs and Irish needs being supplied in full measure, whether they are or are not akin to English needs or to the needs of one another.

The basis upon which the percentages of 80 per cent. for England, 11 per cent. for Scotland, and 9 per cent. for Ireland were fixed has never been explained, and the figures and calculations upon which it was established have never been disclosed. If they are on the scale of the figures upon which the so-called "contribution," to so-called "Imperial purposes" are annually made out and returned to Parliament, then these figures are fallacious, they rest on no legal or scientific basis or constitutional system, and are, on their method of grouping, altogether unduly favourable to England, for many millions of money spent in England on the civil

services, and in the spending of which England gets practically the sole advantage, are charged as "Imperial," while the Constabulary and other services put down as "Irish," are quite as distinctively "Imperial" as numbers of those from which England is largely exempted, and with which Ireland and Scotland are largely charged under the heading of "Imperial."

The segregation of the expenditure into "Imperial," "English," "Scotch" and "Irish," is opposed to the express terms of the Act of Union and the Act Consolidating the Exchequers, and is unconstitutional and unsound. All expenditure of the revenues of the United Kingdom is "Indiscriminate" and "Common," no matter where it takes place, and for whatever services, and whether it be distributed within the borders of any of the Three Kingdoms or elsewhere in their wide Empire beyond the seas.

The interests of Irish and Scotch finance demand that the details as at present segregated of the Revenue and Expenditure Returns, should not be allowed to be published year by year, in their existing form, unquestioned; and the interests of Scotland and Ireland still more practically require that no further distributions of "equivalent" grants upon the percentage basis shall take place without the most searching enquiry being made into the reasons and grounds for assuming such percentages to be accurate and fair.

It is not in the interest of Ireland, nor is it constitutional that distribution of "equivalent" grants should be made on the basis of population. The measure of her requirements cannot be calculated by the poll.

It is not in accordance with constitutional right or fair play, that Ireland should be taxed more and more to meet the annually increasing millions devoted to education in Great Britain, while assistance is denied to her comparatively far greater educational needs, and while there are 1,000 school-houses in her borders, which must, for want of funds, remain in the barbarous condition, described in the Reports of the Education Commissionerse.

The principle upon which "The Development Grant" is arrested and permanently fixed at £185,000, while the English Education Grant and the Scotch Grant in Aid automatically increase, is unfair to Ireland. The grant purports to be an "equivalent" grant. If this is the case it should be made "equivalent" from year to year, and increase with the increase of the English grant as long as Parliament continues to sanction the principle of so-called "equivalent grants."

The legality of charging, not only the deficit on land stock rotation, but also interest on the capital amounts of these

deposits against the Development Fund, should be called in question.

Power should be given to issue to vendors and incumbrancers Irish Land Stock to the full value at the price of the day, of the amounts distributable to them, instead of cash payments in the case of sales under the Land Act of 1903.

Finally Irish Land Stock should be placed among the Government Securities, in which investments can be made through the Post Office Savings Bank, and facilities should also be given for investing in it in small amounts through the banks in Ireland.

APPENDIX I.

On 23rd April, 1888, Mr. Goschen, Chancellor of the Exchequer, in reply to a question by Sir George Campbell, said : " The calculation upon which the figure 11 per cent. was based, is a very complex one— " I used several independent sets of figures and checked one set by another. " No doubt there was room for error in each set, but the net result was " nearer to 10 per cent. than 12 per cent., and must approximate nearly to the " truth. Of course I am aware that duties are paid in one country on account " of the other, and this fact added materially to the difficulty of the " calculation." *Hansard*, vol. 327, p. 1287.

On 26th June, 1888, in reply to Mr. Mark Stewart, he said : " The figure of 11 per cent. is based upon a very complex calculation, involving the use of several independent sets of figures—the result of one set being checked by those of another. The proportion of Probate duty to be given to England is 80 per cent. and to Ireland 9 per cent."

APPENDIX II.

THE IRELAND DEVELOPMENT GRANT ACT, 1903.

REPORT of the LORD LIEUTENANT of all his proceedings under the "Ireland Development Grant Act, 1903," for the financial year ending on the 31st March, 1906.

The balance remaining in the account from the sum voted by Parliament for 1904-5 amounted to £111,355 5s. 3d., which sum, together with the annual Parliamentary Vote, £185,000, made the available assets for 1905-6 up to £296,355 5s. 3d.

STATUTORY PAYMENTS.

	£ s. d.
To Congested Districts Board—6th May, 1905,	10,000 0 0
To Public Trustee—11th May, 1905,	5,000 0 0
To Guarantee fund to satisfy claim of National Debt Commissioners—6th June, 1905,	19,350 2 3
To Irish Land Purchase Fund—14th August, 1905,	50,000 0 0
To Congested Districts Board—14th August, 1905,	10,000 0 0
To Guarantee Fund for National Debt Commissioners—4th December, 1905,	19,348 9 4
 Total Statutory Payments for 1905-6,	 £113,698 11 7

PAYMENTS UNDER THE HEADING " PROPOSED APPLICATION" IN ESTIMATE FOR 1905-6.

	£ s. d.
To Commissioners of Public Works on account of Dredger—8th April, 1905	3,800 0 0
To Mr. F. J. Dick, for report on the Bann Drainage—8th April, 1905	250 0 0
To Mr. R. A. Parker for reports, etc., on Tralee and Dingle Railway—10th October, 1905.	8 10 0
To Commissioners of National Education towards Building Grant for Marlborough Street Training College—25th November, 1905	1,500 0 0
To Commissioners of National Education towards Building Grant for Marlborough Street Training College—16th December, 1905.	1,125 0 0
To Sir A. Binnie for report on Bann and Lough Neagh Drainage—20th January, 1906	500 0 0
To Sir A. Binnie for travelling expenses—24th January, 1906	65 12 4

	£ s. d.
To Commissioners of National Education towards Building Grant for Marlborough Street Training College—25th January, 1906	1,050 0 0
To the Commissioners of National Education for additional King's Scholars in Training College, 19th February, 1906	1,662 12 7
To Commissioners of National Education for cost of Assistant Teachers—19th February, 1906	28,824 8 0
To Department of Agriculture, &c., for Technical Instruction—20th February, 1906	7,000 0 0
To Commissioners of Public Works for Hopper Barge for Dredger—6th March, 1906.	590 0 0
To Commissioners of National Education towards Building Grant for Marlborough Street Training College, 16th March, 1906	2,163 0 0
Total Payments under heading "Proposed Application" in 1905-6	<u>£48,388 14 11</u>

On the 14th November, 1905, £107,296 15s. 3d., the unexpended balance of the Ireland Development Grant Account was transferred to an interest-bearing account in the Bank of Ireland. A sum of £881 1s. was, on 2nd January, 1906, refunded by the Commissioners of National Education, being an unexpended balance on the sum advanced to them for payment of Assistant Teachers to 31st March, 1905.

On 16th February the balance, £71,301 8s. 5d. of the Vote of £185,000, for 1905-6, remaining in the Vote Account was transferred to the Guarantee Fund Account.

On 22nd February, £71,616 17s. 1d., balance of the Vote for 1905-6, was transferred to the interest-bearing account in the Bank of Ireland.

The total payments amounted to £48,388 14s. 11d., made up as follows:—

Paid by Bank,	£43,764 12 7
Paid by Paymaster General out of moneys in his Account,	4,624 2 4
	<u>£48,388 14 11</u>

On 31st March, 1906, there remained a balance in the Deposit Account of £135,900 11s. 5d., made up as follows:—

Transfer from Paymaster General's Account to Bank of Ireland,	£107,296 15 3
Transfer from Paymaster General's Account to Bank of Ireland,	71,616 17 1
	<u>£178,913 12 4</u>
Interest thereon,	751 11 8
	<u>£179,665 4 0</u>
Payments by Bank,	43,764 12 7
Balance,	<u>£135,900 11 5</u>

Dublin Castle,
23rd April, 1906.

A. P. MACDONNELL,
Under Secretary to the Lord Lieutenant.